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THE PRODUCTION PROCESS IN RELATION TO
THE NATIONAL ECONOMIC PLAN

Khristo Popov

Bulgaria provides the necessary background for the establishment of an economic plan on a national basis. The fact that agriculture is still confined to a large number of small and scattered holdings presents a certain handicap for planning but ought not to be considered as an insurmountable obstacle.

There is still a discrepancy of opinion concerning the best method to be adopted for planning: one section of experts envisages merely a reconstruction plan in the strict sense, whereas another group visualizes the 1947 plan as part of a long-range 3, 4, or 5-year plan.

The reconstruction plan is primarily concerned with reconstruction of industrial, agricultural, and transportation enterprises destroyed during the war. However, apart from Sofia, there was no major destruction in the country during the period 1939 to 1944, and in some instances the number of enterprises even increased. There is therefore no object in establishing a reconstruction plan in the strict sense.

Nonetheless, because of the ruthless looting of Bulgarian enterprises by the Germans, and the complete deterioration of production tools which urgently require renovation and replacement, reconstruction is necessary. The type of reconstruction plan proposed follows the outline established by the Fatherland Front.

The second group of planning experts operates with control figures without directly considering the economic objectives of the Fatherland Front. Their long-range plans are suitable for the construction of large enterprises requiring several years, for agricultural planning based on crop rotation effective over a period of 4 to 5 years, or for irrigation and electrification projects, which must necessarily be extended over a longer period.

- 1 -

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50X1-HUM

It is therefore evident that both the short-term one-year plan and the long-range Five-Year Plan will accomplish a useful purpose. The majority of planning experts is convinced that every plan should be established as a part of a 3, 4, or 5-year planning scheme. Furthermore, the specific conditions of the country require the long-range plan to modify its heretofore purely agrarian economy to industrial-agrarian production. The plan for 1947 will thus be a part of a long-range plan of 3, 4, 5, or more years.

The purpose of control figures will be to strengthen industry and modernize agriculture; the first will be given primary importance and the latter secondary, but both will be pursued simultaneously. Generally speaking, the plan during 1947 to 1950 will be part of a long-range industrialization and modernization plan.

The plan will be based on the following principles: the starting point will be the heavy-industry group according to its 1946 status. Light industry will be included as far as its enterprises are directly connected with heavy industry and form an integral part of this group. The next group represents agriculture, including that part of light industry which is directly connected with agriculture and cannot exist independently.

Development of these two branches of the economy is contingent upon the resources provided from their own activity or those mutually transmitted from one to another. They also depend on power: electricity, fuels, gas, oil, etc. Power will therefore form the central group branching out into every other sphere. Machine building provides the production tools for both industry and agriculture; therefore, the plan will give the greatest emphasis to this sector of production, upon which depends any future progress of industry, agriculture, and transportation. It will be the leading factor in establishing plan quotas.

Another point of the plan will concentrate on extending production to exceed the rate of previous periods and form large surpluses, to permit gradual competition with the production of other countries; the latter, however, can only be considered as a goal of the distant future, as present conditions are too poor to permit such expansion. Socialized economy, representing an additional element of the plan, will promote expanded production, but only to a certain degree; expansion will depend primarily on converting any surpluses into production tools which, in turn, will expand the next production cycle.

The volume of surplus production furthermore depends on the development of production capacity. Bulgaria still occupies a very low place in productive capacity compared to other countries, the quantity and quality of production tools is inferior, and the speed of production is also much slower.

Planning is expected to be a beneficial factor in improving these conditions, by regulating and correcting the production of surpluses, as well as their distribution, among various sectors of the economy.

Surplus capital may be produced by various methods; for example, by extending labor productivity by means of longer working hours. This method produces surplus labor and, thereby, surplus capital, but it cannot be introduced by the Fatherland Front government which should provide the working population with better, not worse, living conditions during the same or even fewer working hours. Instead, more work must be condensed into the working day. Socialized labor is another method of increasing labor production, diminishing cost, and expanding productivity; it produces original and surplus capital by lowering the cost of products. Bulgaria offers favorable conditions for increasing productivity, one of the essential purposes of the plan. The poorly developed technical methods of the country result from a very primitive production system, and conversion to modern methods will offer an exceptional opportunity for increasing productivity. An example may be seen in the

- 2 -

CONFIDENTIAL

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CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

new shoe factory to be constructed in 1947, which will employ 1,500 workers in its first year of operation, and will produce over 1,800,000 pairs of shoes yearly, thereby increasing labor productivity by 400 percent. The same will be true in other branches of industry. Such an increase is only possible under a socialized economy and would take much longer under any other system governed by the principle of profit and not of expansion. Better technical methods will also increase the number of products and their variety.

By increasing surplus capital, greater labor productivity will also increase the number of production tools, and capital will be invested primarily in these manufacturing enterprises instead of in those producing consumers' goods.

Consumers' goods, however, may also be converted into production tools if they are sold for cash which, in turn, will be used for the purchase of machinery and other production material. As these latter cannot yet be provided by the domestic market and have to be imported, consumers' goods will be used as the equivalent export items. In this way, both production and consumers' goods will ultimately serve the same purpose, i.e., increase production capital.

Another means of increasing that capital may be found in foreign loans. This method permits the use of capital sooner than the task of creating it would permit and serves to bolster the funds of both production and consumers' goods enterprises. It may also directly procure production tools in the form of a loan.

When surplus capital reaches a certain volume, it may be used to expand an enterprise; before that point, it will be accumulated to form a reserve fund. Such a reserve may be used when sales are delayed and funds for the purchase of raw material are urgently needed, or when goods have to be sold at cost and raw material must be obtained for a higher price, etc.

The plan provides that the reserve fund will be kept separate from the purchase fund, and will serve to provide future capital; only part of it may be used for the purchase of production tools. When reserve funds are transferred to the bank they form a common reserve capital, which will be used for the purchase of production tools. When reserve funds are transferred to the bank they form a common reserve capital, which will be used for the benefit of various enterprises in their expansion plans. This point is taken under consideration in the plan.

Surplus value is obtained by various methods. Bulgarian statistics do not include information on profits obtained in particular enterprises, but there are two methods of determining surplus value: by establishing the amount left after computing fixed and circulating capital, or after computing the cost of material and manpower. The first method cannot be applied due to the lack of data, but according to the Bulgarian economist Pr. Kiranov, the percentage of surplus value in 1944 was 24 percent, and probably not less than 25 percent in 1946. In figures, the profits derived in 1946 amounted to 17,157,000,000 leva, of which production goods enterprises totaled 858 million leva, and the remainder represented profits derived from consumers' goods enterprises. Progressive taxation will return a part of these profits to production expansion in 1947.

The plan must include every branch of the economy. Provided the surplus value produced by all economic enterprises will amount to 8,500,000,000 leva in 1947, and agricultural enterprises using hired manpower add another billion, the sum used for production expansion will be 16,500,000,000 leva, including a subsidy from the state budget.

The progress and potentialities of planned production will depend in a great measure on the amount available for production expansion. The number of enterprises, however, will decrease, some of them will disappear physically

- 3 -

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

through depreciation, and others will be replaced by new and technically superior enterprises.

Capital to be used for planned production expansion during the period 1947 to 1950 may so far be evaluated only in approximate estimates as follows (in millions of leva): 1946 - 16,800; 1947 - 21,107; 1948 - 26,075; 1949 - 30,830, and 1950 - 35,800.

The sources from which the above sums will be derived are industry, agriculture, and state and communal budgets. They may be increased by some additional resources such as credits. The latter have been scattered heretofore in a number of small institutions and will now be concentrated in a few large bank groups. This reform will be supported by the following measures: an essential reorganization of state banks; nationalization of private banks, including liquidation of all small private banks; assignment of one bank to every smaller city; and limitation of People's banks to one for every city, by merging several institutions into one establishment.

The funds credited to these institutions will be used according to the plan, and will be allocated in a measure corresponding to the importance of the assignment and emphasizing the provisions designed to change the economic structure of the country. Credits for speculation and consumption will be discontinued (they may be extended by special loan associations).

Banks will not participate directly in economic production. They will rather concentrate on savings and liquid assets collection, and their investment according to the plan. They will support the state economic policies and maintain strict control over the use of funds for their planned purpose and their most rational and profitable utilization.

Planning policies will depend on the amounts available at the beginning of each year to bolster a certain sector of the economy. They will not be based on the individual requirements of a given product, but rather on the actual production capacity of a given industry. The latter will be of prime consideration in determining production plans and setting up expansion rates.

Furthermore, complete coordination must be attained among economic, social, and educational activities, to produce a uniform plan integrating every section of national life. Unilateral plans merely introduce chaos by strengthening or reducing a single branch and thus intensifying the discrepancy between the planned and unplanned spheres of the economy.

The funds placed under the jurisdiction of the state will form the financial basis of the plan and will determine the extent and speed of production. In establishing the plan for 1946, 18,187,000,000 leva of the entire 78,885,234,770 budget were set aside for construction work; 6,500,000,000 of this allotment were assigned for priority projects such as power stations, dams, and important plants producing caustic soda, copper sulfate, artificial fertilizer, etc. This appropriation will be further increased in 1947 in proportion to expected higher revenues and will amount to approximately 20 billion leva; 35 billion will be spent for government administration, 10 billion for payment of the public debt, including foreign and domestic loans, and 18 billion will be invested in various economic enterprises.

Production increases will invariably be extended to the entire branch of industry and never to only a single enterprise. This will be accomplished by direct planning and control of all state, communal, cooperative, and private enterprises. The production of every enterprise will be considered as an element of the entire industry and, in the final analysis, a general pattern will be obtained by combining production results of various enterprises.

- 4 -

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Subsequently, the plan will establish relationships between the multiple economic branches and set up a classification system of mutually subordinated groups. Classification will be determined according to the importance of the group in the economic basis of the Fatherland Front.

The structure of the national economy will reflect the production process throughout the given period, and the entire production cycle is taken into consideration in setting up the plan. By increasing labor productivity, two production cycles may be effected within the period previously assigned for one, using the same amount of production tools. The plan will subsequently reflect the change in productivity, which will determine new proportions of production cost, and the change in the flow of goods.

In conclusion, it must be emphasized that the plan must not be subordinated to considerations of consumption or of accumulation. The problem of consumers' goods can be resolved only in accordance with other production problems of national interest, and in proportion with all other branches of industry. The economic policies of the Fatherland Front envisage primarily the creation of a new economic structure and may not be identified with consumption interests.

- 5 -

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Mining Industry (mines, quarries, salt mines)					Processing Industry			
<u>Year</u>	<u>No of Enterprises</u>	<u>Workers Engaged in Production</u>	<u>Horsepower Mechan- ical</u>	<u>Elec- trical</u>	<u>No of Enterprises</u>	<u>Workers Engaged in Production</u>	<u>Horsepower Mechan- ical</u>	<u>Elec- trical</u>
1939	53	10,268	2,393	13,605	3,297	82,858	244,916	119,036
1940	63	12,494	2,498	15,963	3,462	83,631	251,830	127,654
1941	73	15,072	4,586	19,905	3,799	89,219	259,651	139,413
1942	82	18,417	5,185	26,674	3,867	84,632	267,827	150,069
1943	74	19,627	5,869	28,172	3,922	74,299	266,810	159,415
1944	72	21,057	8,517	29,484	3,929	70,129	278,254	168,705

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- 6 -

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